



PBO Guidance: 05/2013

POSSIBLE IMPACT OF CONTINGENCY RESERVE ON PBO COSTINGS

The Parliamentary Budget Office (PBO) does not have access to the details of provisions for individual items included in the Contingency Reserve in the Budget. Accordingly, the PBO's costings are subject to the qualification that they are prepared in the absence of information on the possible impact of any provisions in the Contingency Reserve.

Costings prepared by the PBO show the estimated net financial impact of policies on the Commonwealth Budget. The PBO's costings are based on the best information available to the PBO, including known details of items already included in the Budget.

Most Budget information is publicly disclosed and is able to be taken into account by the PBO in preparing its costings. The PBO is also able to obtain certain detailed budget information that, in the normal course of events, is not published.

The Contingency Reserve forms part of the Budget. The total amount included in the Contingency Reserve is publicly disclosed but the individual components of the Contingency Reserve are not. The Secretary of the Department of Finance and Deregulation has advised that disclosure of this information would be contrary to the public interest and hence would be exempt under the *Freedom of Information Act 1982* (FOI Act).

Most PBO costings will not be affected by provisions in the Contingency Reserve. Moreover, during the caretaker period for a general election, the general practice has been for items not classified as commercial-in-confidence or national security-in-confidence to be identified in the Pre-Election Economic and Fiscal Outlook (PEFO).

However, in a limited number of cases, particularly where a policy is subject to confidentiality because of commercial or national security considerations, the PBO's costings may not show the full net impact of the policy on the Budget.

The Contingency Reserve

The Contingency Reserve is an allowance included in the aggregate budget expenses and published in Statement 6 of Budget Paper No. 1. The amount included in the Contingency Reserve for each of the Budget and forward estimates years is published as a total net expense. Details of the number of individual items included in the Contingency Reserve and the provisions made for each item are not published.

As outlined in Budget Paper No. 1, the main components of the Contingency Reserve include:

- a conservative bias allowance for the tendency for estimates of expenses for existing Government policies to be revised upwards in the forward years (this provision is formulaic and can be quantified)
- a provision for underspends in the current financial year (not quantified)
- commercial-in-confidence and national security-in-confidence items, and programs that are subject to negotiation with State and Territory governments (not quantified)
- decisions made too late for inclusion against individual agency estimates (not quantified)
- the effect of late economic parameter revisions that have not been able to be allocated to individual agencies and functions (not quantified), and
- a provision for events and pressures that are reasonably expected to affect the Budget estimates (not quantified).

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